

UINTAH MOSQUITO ABATEMENT DISTRICT

ANNUAL FINANCIAL REPORT

December 31, 2006

**Uintah Mosquito Abatement
District**

**P.O. Box 983
Vernal, UT 84078
(435) 789-4105**

**UINTAH MOSQUITO ABATIEMENT DISTRICT
FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Uintah Mosquito Abatement District
Vernal, Utah

We have audited the accompanying financial statements of the governmental activities, and each major fund of Uintah Mosquito Abatement District, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Uintah Mosquito Abatement District management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Uintah Mosquito Abatement District, as of December 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2007 on our consideration of Uintah Mosquito Abatement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Caldwell, Coombs & Foley, LLP

Vernal, Utah
July 13, 2007

UINTAH MOSQUITO ABATEMENT DISTRICT

Management's Discussion and Analysis

This section of Uintah Mosquito Abatement District's (District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ending December 31, 2006.

Financial Highlights

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information, including this Management's Discussion and Analysis, and the statement of revenues, expenditures and changes in fund balance – budget and actual for the general fund.

Government-wide Financial Statements

One of the most important questions asked about the District's finances is, "is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements

All of the District's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations.

We describe the relationship (or differences) between the government-wide financial statements and the related fund financial statements in a reconciliation that follows each fund financial statement. These differences occur because of the differences in accounting methods used for the two types of statements and the difference in focus: long-term verses short-term.

UINTAH MOSQUITO ABATEMENT DISTRICT

Management's Discussion and Analysis

The District As A Whole

The District's net assets increased \$235,733, from \$1,663,455 the prior year to \$1,899,188 at the end of 2006. (See Table 1.)

The increase in net assets is a primary function of the abatement district's receipt of additional property tax revenues due to new growth. The District also received a State grant, which helped defray some of the expense for pesticides and heavy equipment purchases.

Table 1
Net Assets

	Governmental Activities		Total Change
	2006	2005	2006--2005
Assets			
Cash and cash equivalents	\$ 357,283	\$ 743,976	\$(386,693)
Property taxes receivable	679,649	31,353	648,296
Grants receivable - State of Utah	-	30,000	(30,000)
Inventory of pesticides	155,566	141,514	14,052
Capital assets	769,813	775,989	(6,176)
Total assets	1,962,311	1,722,832	239,479
Liabilities	63,123	59,377	3,746
Net Assets			
Invested in capital assets	769,813	775,989	(6,176)
Unrestricted	1,129,375	887,466	241,909
Total net assets	\$ 1,899,188	\$ 1,663,455	\$ 235,733

The year-to-year differences in relative costs and necessary spending (See Table 2, below.) for large scale public health mosquito/disease vector control can vary significantly as depending upon those many biologically unpredictable operational needs which are presented with every mosquito season. By example, the relative degree of mosquito production (and thus need for mosquito control) for a given season is directly proportional to the seasonal availability of surface water for mosquito breeding, average air temperatures, rainfall amounts and many other factors. The total costs for the control of Mosquito-borne disease such as West Nile Virus are essentially impossible to predict from one season to another. The amount of precipitation received during 2006 was significantly less than was received in 2005, which resulted in a significant decrease in mosquito habitat.

Significant line item changes: Salaries and wages, together with the associated employee benefits increased because of pay raises for employees granted by the board of trustees.

UINTAH MOSQUITO ABATEMENT DISTRICT
Management's Discussion and Analysis

Pesticides, and aerial application expenses all decreased over the prior year as a direct result of decreased mosquito habitat.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2006</u>	<u>2005</u>	<u>Change</u>
			<u>2006-2005</u>
Revenues:			
Program revenues	\$ 15,000	\$ 30,000	\$ (15,000)
General revenues			
Property taxes	734,161	613,258	120,903
Fee in-lieu	64,587	55,801	8,786
Interest	27,340	13,297	14,043
Gain on sale of assets	10,195	500	9,695
Other		502	(502)
Total revenue	<u>851,283</u>	<u>713,358</u>	<u>138,427</u>
Expenses:			
Salaries and wages	217,639	216,198	1,441
FICA taxes	16,566	16,479	87
Health insurance	21,677	17,755	3,922
State retirement	20,227	18,811	1,416
Workmen's compensation	14,148	10,813	3,335
Utilities	7,546	7,754	(208)
Office & lab supplies	6,477	6,381	96
Pesticides	81,223	115,637	(34,414)
Aerial application	35,338	47,852	(12,514)
Vehicle fuel	13,168	12,097	1,071
Vehicle maintenance	10,455	7,344	3,111
Buildings & grounds maintenance	2,324	3,373	(1,049)
Small equipment & supplies	11,835	10,306	1,529
Bookkeeping & audit	6,455	7,934	(1,479)
Travel & trustee expenses	12,264	19,984	(7,720)
Insurance - liability & vehicle	25,172	24,586	586
UMAA dues & research	3,987	2,172	1,815
Property tax refunds	10,026	12,170	(2,144)
Public relations	18,917	15,565	3,352
Source reduction	-	1,500	(1,500)
Miscellaneous	8,432	1,454	6,978
Depreciation	71,674	68,821	2,853
Total expenses	<u>615,550</u>	<u>644,986</u>	<u>(29,436)</u>
Change in net assets	<u>\$ 235,733</u>	<u>\$ 68,372</u>	<u>\$ 167,863</u>

UINTAH MOSQUITO ABATEMENT DISTRICT

Management's Discussion and Analysis

The District's Funds

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a *combined* fund balance of \$1,139,608. That reflects a *combined* net increase in fund balances of \$238,431. (See the statement of revenues, expenditures, and changes in fund balances on page 14.)

The general fund's fund balance increased \$87,558 to \$871,236. This balance reports funds available for operations in future periods. The general fund balance fills a regular annual need and necessary course of action to ensure the ready availability of sufficient monies to fund the ensuing year's operations until the receipt of property taxes in the fall. In addition to this general funding requisite, it is essential that public health emergencies provisions be in place in order to responsibly address the very real threat of epidemic level outbreaks of mosquito-borne West Nile Virus in Uintah County equines and humans. Very substantial yet critically necessary additional expenditures would have to be made by the abatement district with very little if any forewarning should such medically urgent circumstances develop in the future.

The capital project fund balance increased \$150,873 to \$268,372. This balance reports funds available for purchase of capital assets in future periods.

General Fund Budgetary Highlights

The original 2006 general fund budget, adopted in December 2005, was amended during the year to reflect an estimated increase in property taxes from new growth and to provide for anticipated future capital outlay. Adjustments were also made to line items within the budget to more accurately match actual expenditures. Actual funds expended were within appropriated amounts. (See the statement of revenues, expenditures and changes in fund balance – budget and actual General Fund on page 24.)

Capital Asset and Debt Administration

The District routinely replaces its operational equipment. To ensure field reliability, operational efficacy and personnel safety, the district adheres to a policy, which provides for the regular and timely replacement of its trucks and other heavily used equipment. Mechanic and maintenance costs are also significantly reduced. Planned capital improvements include the comprehensive upgrade/replacement of the district's mechanic garage and structural upgrades in other buildings and facilities as needed.

The District has no long-term debt.

UINTAH MOSQUITO ABATEMENT DISTRICT
Management's Discussion and Analysis

Economic Factors and Next Year's Budgets

The 2007 Utah State Legislature enacted new statutory provisions applicable to mosquito abatement districts that allow a district to establish a special reserve fund, not to exceed the greater of 25% of the district's operating budget or \$50,000, to pay for extraordinary abatement measures including a public health emergency.

Uintah Mosquito Abatement District's board approved a resolution to establish said special reserve fund in the amount \$194,750, effective July 2007. This reserve is critically important to the District to insure full operational capacity in the event of major mosquito borne diseases, such as West Nile Virus.

For additional information please contact District Director, Steven V. Romney at (435) 789-4105, or write to the Uintah Mosquito Abatement District at P.O. Box 983 Vernal, UT 84078.

Uintah Mosquito Abatement District
Statement of Net Assets
December 31, 2006

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 357,283
Property taxes receivable	679,649
Inventory of pesticides	155,566
Capital assets not being depreciated::	
Land	8,500
Capital assets net of accumulated depreciation:	
Buildings	372,444
Improvements	127,429
Equipment	261,440
	<hr/>
Total Assets	1,962,311
	<hr/>
Liabilities	
Accounts payable	5,887
Accrued vacation leave	19,820
Vested leave	37,416
	<hr/>
Total Liabilities	63,123
	<hr/>
Net Assets	
Invested in capital assets	769,813
Unrestricted	1,129,375
	<hr/>
Total Net Assets	\$ 1,899,188
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The notes to the financial statements are an integral part of this statement.

Uintah Mosquito Abatement District

Statement of Activities

Year Ended December 31, 2006

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Operating Grants	Capital Grants	Total Governmental Activities
Governmental Activities:				
Public Health - Mosquito Abatement				
Salaries and wages	\$ 217,639			\$ (217,639)
FICA taxes	16,566			(16,566)
Health insurance	21,677			(21,677)
State retirement	20,227			(20,227)
Workmen's compensation	14,148			(14,148)
Utilities	7,546			(7,546)
Office & lab supplies	6,477			(6,477)
Pesticides	81,223	\$ 8,100		(73,123)
Aerial application	35,338			(35,338)
Vehicle fuel	13,168			(13,168)
Vehicle maintenance	10,455			(10,455)
Buildings & grounds maintenance	2,324			(2,324)
Small equipment & supplies	11,835			(11,835)
Bookkeeping & audit	6,455			(6,455)
Travel & trustee expenses	12,264			(12,264)
Insurance - liability & vehicle	25,172			(25,172)
UMAA dues & research	3,987			(3,987)
Property tax refunds	10,026			(10,026)
Public relations	18,917			(18,917)
Miscellaneous	8,432			(8,432)
Depreciation	71,674			(71,674)
Purchase of capital assets			\$ 6,900	6,900
Total Mosquito Abatement	\$ 615,550	\$ 8,100	\$ 6,900	(600,550)
General Revenues				
				734,161
				64,587
				27,340
				10,195
				836,283
				235,733
				1,663,455
				\$ 1,899,188

The notes to the financial statements are an integral part of this statement.

UINTAH COUNTY MOSQUITO ABATEMENT DISTRICT
Balance Sheet
Governmental Funds
December 31, 2006

	Major Funds		
	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 88,911	\$ 268,372	\$ 357,283
Property taxes receivable	679,649		679,649
Inventory of pesticides	155,566		155,566
Total Assets	\$ 924,126	\$ 268,372	\$ 1,192,498
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 5,887		\$ 5,887
Accrued vacation leave	19,820		19,820
Deferred property taxes	27,183		27,183
Total Liabilities	52,890	-	52,890
Fund Equity			
Fund balance:			
Reserved for inventory	155,566		155,566
Unreserved	715,670	\$ 268,372	984,042
Total fund equity	871,236	268,372	1,139,608
Total liabilities and fund equity	\$ 924,126	\$ 268,372	\$ 1,192,498

The accompanying notes are an integral part of these financial statements.

Uintah Mosquito Abatement District
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
December 31, 2006

Total fund balances for governmental funds **\$ 1,139,608**

Total net assets reported for governmental activities
in the statement of net assets is different because:

Governmental funds defer property tax revenues that
are not received within 60 days following the year end.
However, the statement of activities reports property
taxes in the year for which they are levied regardless of
the time of receipt. 27,183

Capital assets used in governmental funds are not
considered available financial resources and therefore
are not reported in those funds. Those assets consist
of:

Land	\$	8,500	
Buildings, net of depreciation of \$107,831		372,444	
Improvements, net of depreciation of \$64,080		127,429	
Equipment, net of depreciation of \$237,968		261,440	769,813

Governmental funds do not report vested sick leave
because it is not considered payable from current
financial resources. (37,416)

Total net assets of governmental activities **\$ 1,899,188**

The notes to the financial statements are an integral part of this statement.

UINTAH COUNTY MOSQUITO ABATEMENT DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	<u>Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Governmental Funds</u>
REVENUES			
Taxes			
Property Taxes	\$ 727,464		\$ 727,464
Fee in-lieu	64,587		64,587
Total taxes	<u>792,051</u>	<u>-</u>	<u>792,051</u>
Intergovernmental			
State grants	15,000		15,000
Total intergovernmental	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Miscellaneous			
Interest	17,989	\$ 9,351	27,340
Total miscellaneous	<u>17,989</u>	<u>9,351</u>	<u>27,340</u>
Total revenues	<u>825,040</u>	<u>9,351</u>	<u>834,391</u>
EXPENDITURES			
Public Health - Current			
Salaries	214,420		214,420
FICA taxes	16,566		16,566
Health insurance	21,677		21,677
State retirement	20,227		20,227
Workmen's compensation	14,148		14,148
Utilities	7,546		7,546
Office & lab supplies	6,477		6,477
Pesticides	95,275		95,275
Aerial application	35,338		35,338
Vehicle fuel	13,168		13,168
Vehicle maintenance	10,455		10,455
Buildings & grounds maintenance	2,324		2,324
Small equipment & supplies	9,881		9,881
Bookkeeping & audit	6,455		6,455
Travel & trustee expenses	12,264		12,264
Insurance - liability & vehicle	25,172		25,172
UMAA dues & research	3,987		3,987
Property tax refunds	10,026		10,026
Public relations	18,917		18,917
Source reduction	-		-
Miscellaneous	8,432		8,432
Capital Outlay			
Equipment	74,029	-	74,029
Total expenditures	<u>626,784</u>	<u>-</u>	<u>626,784</u>
Excess revenues over (under) expenditures	198,256	9,351	207,607
OTHER FINANCING SOURCES (USES):			
Proceeds from the sale of capital assets	16,772		16,772
Transfers in (out)	(141,522)	141,522	-
Increase (decrease) in inventories	14,052		14,052
Excess revenues and other sources over (under) expenditures and other uses	87,558	150,873	238,431
Fund balance - January 1	783,678	117,499	901,177
Fund balance - December 31	<u>\$ 871,236</u>	<u>\$ 268,372</u>	<u>\$ 1,139,608</u>

The accompanying notes are an integral part of these financial statements.

Uintah Mosquito Abatement District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Statement of Activities December 31, 2006

Total change in fund balances for governmental funds	\$	238,431
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Total net assets reported for governmental activities in the statement of net assets is different because:

Property taxes not collected within 60 days after year end are deferred in the governmental funds but are recorded as revenue in the statement of activities.		6,697
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Governmental funds report purchases of capital assets as expenditures. However, in the statement of activities, assets with an initial individual cost of \$1,000 or more are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The differences are summarized as follows:

Cost of capitalized assets purchased	\$	72,075	
Depreciation expense		<u>(71,674)</u>	401

Governmental funds report proceeds from the sale of capital assets as other financing sources. However, in the statement of activities, the original cost basis of sold assets, less depreciation recognized on those assets is subtracted from the gross proceeds and the net gain or (loss) on the sale is reported.

Original cost of assets that were sold	(38,494)	
Depreciation recognized	<u>31,917</u>	(6,577)

Governmental funds report compensation for sick leave when the amounts become payable. However, in the statement of activities, compensation for sick leave is reported as the benefit is earned by employees.

(3,219)

Change in net assets of governmental activities	<u>\$</u>	<u>235,733</u>
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The notes to the financial statements are an integral part of this statement.

Uintah Mosquito Abatement District
Notes to the Financial Statements
For the year ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Uintah Mosquito Abatement District (District) was created August 5, 1974 by order of the Uintah County Board of County Commissioners, pursuant to the provisions of Chapter 14, Title 26, *Utah Code Annotated* (1953), as amended. The District provides mosquito abatement services to the entire area of Uintah County, Utah except for certain federal and Indian lands.

A part-time Board of Trustees and a full-time professional director and assistant manage the District. One Trustee is appointed by Uintah County and one is appointed by each of the cities in Uintah County.

For financial reporting purposes, Uintah Mosquito Abatement District has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. The District has identified no organization, which should be reported as a component unit of the District.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the District as a whole. Individual funds are not displayed. All of the District's operations are reported as governmental activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The District's activities are confined to a single function: mosquito abatement. Program revenues include: (1) charges for services which report rents and other charges to users of the District's services or assets; (2) operating grants and contributions that finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets.

Uintah Mosquito Abatement District
Notes to the Financial Statements
For the year ended December 31, 2006

Property taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds. Both of the District's funds, general and capital projects, are presented as major funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements specifically made applicable to governmental funds by GASB.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). The District's operations do not include any internal activities with the exception of transfers between funds, which are eliminated by direct offset. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for sick leave benefits which are reported as expenditures in the year paid.

Major revenues susceptible to accrual include property taxes, fee in-lieu of property taxes, and government grants. In general, other revenues are recognized when cash is received.

D. Fund Types and Major Funds

The District reports the following major governmental funds:

- The **general fund** is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Uintah Mosquito Abatement District
Notes to the Financial Statements
For the year ended December 31, 2006

- The **capital projects fund** accounts for the construction of major capital projects and the purchase of equipment.

E. Cash and Cash Equivalents (See note 3, also.)

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in a cash and investment pool and allocated to each fund based on period-end deposit and investment balances. Interest income is allocated to the funds based on average period-end deposit and investment balances.

State statutes authorize the District to invest (short-term and long-term) in certificates of deposit (considered deposits for risk categorization purposes), U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements and certain corporate bonds. The District limits its investments to deposits in the Utah State Public Treasurers' Investment Fund.

F. Inventory of Pesticides

In the governmental funds, purchases of pesticides are charged to expense when acquired by the District under the purchase method. However, at year-end an inventory of pesticides on hand is taken and valued at cost using the first-in first-out (FIFO) method. The change in inventory from the beginning of the year is reported as a financing source or use in the combined statement of revenues, expenditures, and changes in fund balance – governmental funds.

The government-wide statement of activities reports expense for pesticides when they are consumed in operations.

G. Capital Assets and Depreciation

The District's property, furniture and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The District owns no infrastructure assets. The District capitalizes assets with a cost of \$1,000 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The useful lives estimated for depreciable assets are: buildings 40 years, improvements 20-40 years, and equipment 5-10 years.

Uintah Mosquito Abatement District
Notes to the Financial Statements
For the year ended December 31, 2006

H. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. The a portion of fund balance equal to the District's pesticide inventories is reserved because it does not represent assets available for appropriation.

I. Flow Assumptions for Restricted Resources

Whenever the District has the option of using either restricted or unrestricted resources to make certain payments (such as capital construction costs being financed partially from restricted grants and partially from the District's own funds) the District's policy is to use restricted resources first.

J. Compensated Absences

Employees are granted compensation for days absent from work due to vacations, sickness, or other personal matters, in varying amounts depending on tenure with the District. Accumulated unpaid vacation is accrued in both the governmental fund financial statements and the government-wide financial statements.

One half of unused sick leave, up to 150 days, is payable to employees upon termination of employment or retirement. The vested portion of unused sick leave is accrued in the government-wide financial statements. Governmental funds report only sick leave payable to currently terminating employees.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. BUDGETARY INFORMATION

The Uintah Mosquito Abatement District follows the budgetary practices and procedures required by Utah State law. These requirements are summarized as follows:

Uintah Mosquito Abatement District
Notes to the Financial Statements
For the year ended December 31, 2006

- A formal budget is adopted for all governmental funds. The budget is a complete plan that identifies all estimated revenues and all appropriations for expenditure for the year. The budget must balance, that is, estimated revenues and other financing sources must equal appropriated expenditures. Budgets are adopted on the basis of accounting used for reporting purposes in the governmental funds financial statements. The legal level of budgetary control is the fund level.
- The director submits to the board of trustees, a proposed operating budget for the fiscal year beginning January 1.
- The Board discusses and approves the budget and sets a date for a public hearing on the proposed budget.
- A public hearing is held to obtain taxpayer comments and the budget is adopted.
- The Board can transfer budgeted amounts between line items by resolution, but any action that increases or decreases the total budget must be approved by resolution only after an advertised public hearing.

3. DEPOSITS AND INVESTMENTS (See note 1 E, also.)

Deposits and investments for local governments are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

a. Custodial Credit Risk

Deposits—Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006 the carrying amount of the District's deposits was \$11,467 and the bank balance was \$9,097. All of the bank balance was covered by federal deposit insurance.

Uintah Mosquito Abatement District
Notes to the Financial Statements
For the year ended December 31, 2006

b. Credit Risk

Investments—Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

As of December 31, 2006 the District had investments of \$345,816 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

4. CAPITAL ASSETS

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	Capital Assets Not Depreciated	Capital Assets Depreciated			Totals
	Land	Buildings	Improvements	Equipment	
Governmental Activities					
Balance, December 31, 2005	\$ 8,500	\$ 480,275	\$ 191,509	\$ 465,827	\$ 1,146,111
Increases				72,075	72,075
Decreases				(38,494)	(38,494)
Balance, December 31, 2006	8,500	480,275	191,509	499,408	1,179,692

Uintah Mosquito Abatement District
Notes to the Financial Statements
For the year ended December 31, 2006

	Land	Buildings	Improvements	Equipment	Totals
Accumulated Depreciation					
Balance, December 31, 2005	-	95,824	54,814	219,484	370,122
Increases	-	12,007	9,266	50,401	71,674
Decreases	-	-	-	(31,917)	(31,917)
Balance, December 31, 2006	-	107,831	64,080	237,968	409,879
Governmental Activities					
Capital Assets, Net	<u>\$ 8,500</u>	<u>\$ 372,444</u>	<u>\$ 127,429</u>	<u>\$ 261,440</u>	<u>\$ 769,813</u>

5. LONG-TERM LIABILITIES

The District's liability for vested sick leave increased during the year as follows (see note J):

	Balance 1/01/2006	Additions	Retirements	Balance 12/31/2006
Vested sick leave	<u>\$ 34,197</u>	<u>\$ 3,219</u>	<u>\$ -</u>	<u>\$ 37,416</u>

6. PENSION PLANS

Plan Description. The District contributes to the Local Governmental Noncontributory Retirement System which is a cost sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office, and related programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1(800) 365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System, the District was required to contribute 11.09% of its annual covered salaries for the six months ended June 30,

Uintah Mosquito Abatement District
Notes to the Financial Statements
For the year ended December 31, 2006

2006 and 11.59% for the six months ended December 31, 2006. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District contributions to the Local Governmental Noncontributory Retirement System for the years ended December 31, 2006, December 31, 2005, and December 31, 2004 respectively were: \$14,953, \$13,824, and \$12,080. The contributions were equal to the required contributions for each year.

The District also participates in a 401(k) deferred compensation plan administered by the Utah Retirement Systems. Employer contributions for the years ended December 31, 2006, 2005, and 2004 respectively totaled \$5,274, \$4,986, and \$4,666.

7. INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters for which the District carries commercial insurance.

8. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on or before June 22 and are payable on or before November 30. The amount of estimated revenue from property taxes required by the budget constitutes the basis for determination of the amount of taxes levied.

The County Treasurer collects property taxes levied by the District. Collected taxes are periodically apportioned and remitted to the District.

9. TRANSFERS WITHIN THE REPORTING ENTITY

The general fund transferred \$141,522 to the capital projects fund to provide for future capital outlays.

Uintah Mosquito Abatement District

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund **For the year ended December 31, 2006**

	General Fund				
	Original Budget	Amendments	Final Budget	2006 Actual	Variance
REVENUES					
Taxes					
Property Taxes	\$ 580,600	\$ 96,150	\$ 676,750	\$ 727,464	\$ 50,714
Fee in-lieu	50,000	-	50,000	64,587	14,587
Total taxes	630,600	96,150	726,750	792,051	65,301
Miscellaneous					
Interest	12,000	12,000	24,000	17,989	(6,011)
Grants	30,000	(15,000)	15,000	15,000	-
Total miscellaneous	42,000	(3,000)	39,000	32,989	(6,011)
Total revenues	672,600	93,150	765,750	825,040	59,290
EXPENDITURES					
Public Health - Current					
Salaries	248,000	(15,000)	233,000	214,420	18,580
FICA taxes	22,000		22,000	16,566	5,434
Health insurance	18,000		18,000	21,677	(3,677)
State retirement	18,000		18,000	20,227	(2,227)
Workmen's compensation	12,000		12,000	14,148	(2,148)
Utilities	10,000		10,000	7,546	2,454
Office & lab supplies	6,000		6,000	6,477	(477)
Pesticides	120,000	(15,000)	105,000	95,275	9,725
Aerial application	60,000	(10,000)	50,000	35,338	14,662
Vehicle fuel	14,000		14,000	13,168	832
Vehicle maintenance	12,000		12,000	10,455	1,545
Buildings & grounds maintenance	3,000		3,000	2,324	676
Small equipment & supplies	12,000		12,000	9,881	2,119
Bookkeeping & audit	8,000		8,000	6,455	1,545
Travel & trustee expenses	20,000	(2,000)	18,000	12,264	5,736
Insurance - liability & vehicle	28,000		28,000	25,172	2,828
UMAA dues & research	2,000		2,000	3,987	(1,987)
Property tax refunds	12,000		12,000	10,026	1,974
Public relations	15,000		15,000	18,917	(3,917)
Source reduction	1,000		1,000	-	1,000
Miscellaneous	2,000		2,000	8,432	(6,432)
Capital Outlay					
Equipment	40,000		40,000	74,029	(34,029)
Total expenditures	683,000	(42,000)	641,000	626,784	14,216
Excess revenues	(10,400)	135,150	124,750	198,256	73,506
OTHER FINANCING SOURCES (USES):					
Proceeds from the sale of capital asset	10,400	6,372	16,772	16,772	(0)
Transfers in (out)		(141,522)	(141,522)	(141,522)	-
Increase (decrease) in inventories		-	-	14,052	14,052
Excess revenues	-	-	-	87,558	87,558
Fund balance - January 1	783,678		783,678	783,678	-
Fund balance - December 31	\$ 783,678	\$ -	\$ 783,678	\$ 871,236	\$ 87,558

The notes to the financial statements are an integral part of this statement.

CALDWELL, COOMBS & FOLEY, LLP

Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Uintah Mosquito Abatement District
Vernal, Utah

We have audited the financial statements of the governmental activities, and each major fund of Uintah Mosquito Abatement District, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Uintah Mosquito Abatement District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Uintah Mosquito Abatement District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that

is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. See finding 06-1.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the findings described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Uintah Mosquito Abatement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Trustees, management, others within the organization, and the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Caldwell, Coombs & Foley, LLP

Vernal, Utah
July 13, 2007

CALDWELL, COOMBS & FOLEY, LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH GENERAL STATE REQUIREMENTS BASED ON AN AUDIT OF FINANCIAL STATEMENTS CONDUCTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Chairman and Board of Trustees
Uintah Mosquito Abatement District

We have audited the financial statements of the governmental activities, and each major fund of Uintah Mosquito Abatement District, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 13, 2007. The District received the following nonmajor grant, which is not required to be audited for specific compliance requirements: (However, this program was subject to testwork as part of the audit of the Uintah Mosquito Abatement District's financial statements.)

Emergency Mosquito Control (Department of Agriculture and Food)

Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth In Taxation and Property Tax Limitations
- Budgetary and Reporting Requirements
- Special Districts
- Other General Issues

The District did not receive any major State grants during the year ended December 31, 2006.

The management of Uintah Mosquito Abatement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we

plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Uintah Mosquito Abatement District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

Caldwell, Coombs & Foley, LLP

Vernal, Utah
July 13, 2007

UINTAH MOSQUITO ABATEMENT DISTRICT
Auditors' Findings And Responses
For the Year Ended December 31, 2006

06-1. Preparation of Financial Statements

Finding – District personnel lack the skills and knowledge to apply generally accepted accounting principles in preparing its financial statements. The District relies on its independent auditors to prepare the financial statements, subject to management oversight and review.

Recommendation – The Board of Trustees may wish to evaluate whether it is practical for existing District personnel to obtain additional accounting training, whether it is economically reasonable and practical to employ additional personnel or outside contractors who possess the required advanced accounting skills, or whether it is most practical and efficient to continue the current arrangement with the District's independent auditors while maintaining management oversight over the services so as not to impair the auditor's independence.

District Response – The District will continue with the current system.

UINTAH MOSQUITO ABATEMENT DISTRICT

Status of Prior Year Findings

For the Year Ended December 31, 2006

The following matters were reported as audit findings in the prior year. The current status of each finding and recommendation is noted.

05-1 Excess General Fund Balance

Finding – The unreserved fund balance in the general fund at December 31, 2005 exceeded the amount the District is allowed to accumulate under Utah State Law by \$12,778.

Recommendation – The board of trustees and management of the District should consider the excess fund balance as a financial resource in the 2007 budget, or in any amendments to the 2006 budget.

Current Status – The recommendation was implemented.